

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2014-416-E - ORDER NO. 2014-946
DECEMBER 2, 2014

IN RE: Petition of South Carolina Electric & Gas)	ORDER GRANTING
Company for Authorization to Defer the)	DEFERRAL OF
Depreciation and Amortization Expenses as)	EXPENSES RELATED TO
Well as the Incremental Operation and)	FERC CRITICAL
Maintenance Expenses that Will Be Incurred)	INFRASTRUCTURE
as a Result of Complying with Existing and)	STANDARDS
Future Critical Infrastructure Protection)	
Reliability Standards Promulgated by the)	
Federal Energy Regulatory Commission)	

This matter comes before the Public Service Commission of South Carolina (“Commission”) on the Petition of South Carolina Electric & Gas Company (“SCE&G” or “Company”) to defer the depreciation and amortization expenses, as well as the incremental operation and maintenance expenses that will be incurred as a result of complying with existing and future critical infrastructure protection reliability standards promulgated by the Federal Energy Regulatory Commission (“FERC”). Specifically, SCE&G seeks authority to defer as a regulatory asset up to \$20 million of these expenses during the five-year period from January 1, 2015, to December 31, 2019. In addition, SCE&G also seeks to accrue for regulatory and financial accounting purposes carrying costs on the deferred amounts.

As stated in SCE&G’s Petition, Section 215 of the Federal Power Act requires the FERC-certified Electric Reliability Organization (“ERO”) to develop mandatory and enforceable Reliability Standards. The Reliability Standards currently implemented will

require SCE&G to make “major upgrades to its existing infrastructure,” including the addition of new technology at its High, Medium, and Low Impact sites to enhance cybersecurity. Additionally, at each Medium Impact site, a building, similar to a small relay house, will be constructed to protect and physically secure the newly implemented technology. According to SCE&G, the infrastructure upgrades will cost approximately \$41 million. Furthermore, the Company states that the incremental depreciation and amortization and operation and maintenance expenses of the FERC required infrastructure upgrades associated with the updated Reliability Standards are expected to be over \$4 million per year. SCE&G further requests that the expenses to be deferred under this paragraph be limited to no more than \$20 million during the five-year time period of January 1, 2015, to December 31, 2019. Finally, SCE&G requests that it be allowed to accrue carrying costs, at its embedded cost of long-term debt, on the balance of the regulatory asset while these expenses are being deferred.

Depreciation and amortization allow for the matching of expenses associated with an asset to the revenue that the Company recognizes as a result of utilizing that asset to provide service. The incremental annual depreciation and amortization expense that SCE&G expects to incur after completion of the Infrastructure Upgrades is not currently included in existing base rates. Therefore it is not possible to “match” this expense with revenue collected.

The Company states that these requests will not involve a change to any of SCE&G's retail rates or prices at this time, or require any change in any Commission rule, regulation, or policy. SCE&G also maintains that the issuance of the requested

accounting order will not prejudice the right of any party to address these issues in a subsequent general rate case proceeding, at which point the Company states it will seek recovery for these costs in base rates.

The Office of Regulatory Staff has no objection to SCE&G's requests.

We find that the above mentioned expenses associated with the Infrastructure Upgrades mentioned in this Order are required by FERC's mandatory Reliability Standards.

IT IS THEREFORE ORDERED:

1. No more than \$20 million during the five-year time period of January 1, 2015, to December 31, 2019, in depreciation and amortization expenses, as well as the incremental operation and maintenance expenses the Company will incur as a result of complying with existing and future critical infrastructure protection reliability standards recently promulgated by the FERC to address the cybersecurity of the bulk electric system may be deferred as a regulatory asset;

2. SCE&G may accrue for regulatory and financial accounting purposes carrying costs on the deferred amounts; and

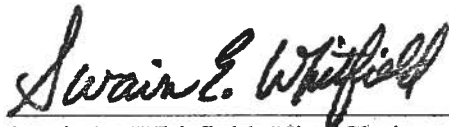
3. This Order shall remain in full force and effect until further order of the Commission.

BY ORDER OF THE COMMISSION:



Nikiya Hall, Chairman

ATTEST:



Swain E. Whitfield, Vice Chairman
(SEAL)